

AR16









## FINANCIAL HIGHLIGHTS *Atlantic Sugar Refineries Co. Limited and Subsidiaries*

	1970 \$	1969 \$
<b>Operating Summary</b>		
Sales . . . . .	76,185,712	64,428,017
Net earnings . . . . .	6,268,078	5,317,304
<b>Common Shares</b>		
Earnings per share . . . . .	99¢	82¢
Dividends paid per share . . . . .	36¼¢	25¢
<b>Financial Condition</b>		
Working capital . . . . .	15,071,491	14,990,163
Capital expenditures . . . . .	1,376,161	475,331

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## DIRECTORS

Maurice Archer, Montreal  
*Vice-President, Research and Development,  
Canadian National Railways*

R. O. Bull, Sidney, British Columbia  
*Director*

L. Yves Fortier, Montreal  
*Partner,  
Ogilvy, Cope, Porteous, Hansard, Marler,  
Montgomery & Renault*

\* John S. Gairdner, Toronto  
*Chairman of the Board,  
Gairdner & Company Limited*

\* Hon. Salter A. Hayden, Q.C., Toronto  
*Senior Partner,  
McCarthy & McCarthy*

\* W. J. R. Paton, Montreal  
*President and Chief Executive Officer,  
Atlantic Sugar Refineries Co. Limited*

\* Member of Executive Committee

Lewis H. M. Ayre, St. John's, Newfoundland  
*Chairman and President,  
Ayre & Sons, Limited*

Etienne Crevier, Montreal  
*Chairman of the Board,  
The Provident Assurance Company*

James H. Gairdner, Toronto  
*President,  
Trafalgar Investments Co. Limited*

\* J. H. Hawke, Toronto  
*President,  
The Glengair Group Limited*

John A. Mullin, Q.C., Toronto  
*Partner,  
Fraser & Beatty*

Hon. Nelson Rattenbury, Saint John, New Brunswick  
*President,  
Northern Industries Limited*

## OFFICERS

J. H. Hawke,  
*Chairman of the Board*

Hon. Salter A. Hayden, Q.C.,  
*Vice-President*

J. B. Eldridge,  
*Vice-President, Production*

R. G. Munro,  
*Treasurer*

G. F. Hayden, Q.C.,  
*Assistant Secretary*

W. J. R. Paton,  
*President and Chief Executive Officer*

E. V. Burgess,  
*Vice-President, Marketing*

L. E. Labrosse,  
*Vice-President, Finance*

R. H. Weir,  
*Secretary*

### Executive Office:

5660 Ferrier Street, Montreal 307



## THE PRESIDENT'S LETTER

I am pleased to report that the Company's earnings reached a new high in 1970. Major Canadian companies reporting a twenty per cent increase in earnings per share for 1970 over 1969 are few and far between; more so when one considers that our 1969 pre-tax earnings had been an all-time record.

It is interesting and informative to compare certain data for the three year period, 1968, 1969 and 1970, that the Company has reported on a fully consolidated basis (including the results of all subsidiaries).

	1970	1969	1968
Earnings before income taxes	\$10,103,078	\$ 9,023,304	\$ 4,722,056
Earnings per common share	99¢	82¢	4.5¢*
Working capital	\$15,071,491	\$14,990,163	\$10,773,344
Retained earnings	\$31,988,460	\$29,060,622	\$26,284,318

\*restated on tax allocation basis

Obviously, much progress has been made. It is the opinion and goal of your directors and officers that further progress lies ahead.

As forecasted a year ago and reported in our interim report for the six months ended June 30, 1970 sugar earnings were below 1969, and pulp and fish earnings improved. A minor contribution to 1970 earnings came from the consolidation of Sonco and Lyman, both of which were purchased late in the fiscal year.

The consolidated statement of source and use of working capital reveals a considerably increased pay-out for fixed assets and additions, dividends, plus the acquisitions of Sonco and Lyman. Despite this, we enter 1971 with some \$15,000,000 working capital, a slight increase over the year previous. Your attention is drawn to the increase of some \$3,000,000 in retained earnings, an increase of approximately ten per cent.

### Sugar

Despite a decline, sugar remains the major earnings contributor. Total tons sold was approximately on target, but price cutting and more particularly the swing from a buyers' to a sellers' market in raw sugar added to the higher costs for maintaining inventories and accounts receivable — all took their toll.

All departments performed well. Our order book is lighter at January 1, 1971 than it has been for several years. This is because we are reluctant to recommend and our major industrial accounts are hesitant to commit themselves to large purchases at current price levels. This should not affect our total deliveries throughout the year.

We have referred previously to the International Sugar Agreement, of which Canada is an important member. The London Daily Price, our basis for purchasing raw sugar and selling refined sugar, was at £18 in late 1968 when the Agreement was concluded. It fluctuated between £30 on January 2, 1970 and £45 on December 31, 1970, with a simple average of £40.4 during 1970. During the first six weeks of 1971 the average has been £49. We mention this for two reasons. First, to explain why our selling prices for refined sugar have increased (due to increased costs for our raw material) and second, to assure our fellow Canadians that neither the Canadian Government, the Canadian consumer nor the Canadian refiner is taking advantage of the raw sugar producers in the West Indies or elsewhere.

### Pulp

As forecasted, Acadia Pulp results were much improved. Sales tonnage was up 14 per cent and sales value up 20 per cent. 1970 results and present results are seriously affected by the freeing of the Canadian dollar as almost 100 per cent of our output is to export markets. There is presently a softening in demand which we expect will firm up by mid-year.



## Groundfish

Despite the freeing of the Canadian dollar and plant payments which began at mid-year, our Newfoundland operation enjoyed improved results. Prices for our principal products remained firm and our efficiency improved. Almost 100 per cent of our output is sold in the U.S.A.

## Tuna

Improved fleet and plant performance and general efficiencies resulted in lower costs for 1970 versus 1969. This, coupled with better product prices, improved our 1970 results. We would point out, however, that the overall operations continued at a loss, albeit less loss than in previous years. At budget time in early December we were optimistic for 1971; then on December 17 the mercury scare hit us. It is still too early to assess the severity or reset our course. We understand and are confident that losses — if any — resulting from the regulations presently in effect are compensable.

## Sonco Steel Tube Limited

The acquisition of this important producer in a growth industry is making, and will continue to make, an important contribution to earnings. We are fortunate that the founding management, Mr. H. Sonshine, continues in charge of operations. During 1971 we will be adding to facilities to improve efficiency and expand the product line.

## Lyman Tube Limited

In Lyman we acquired a long established well-operated service organization. Lyman has no manufacturing facilities. It buys, stocks and delivers tubing, materials handling equipment and mechanical products with the emphasis on tubing. The operating management remains unchanged. The former Chief Executive Officer, Mr. G. W. Millar, has agreed to serve on the new Board of Directors. In Lyman we look for steady earnings growth.

## Outlook

Each of our divisions faces uncertainties at the start of fiscal 1971. In sugar we await the recommendations of the Tariff Board. In pulp and groundfish the value of the Canadian versus the U.S. dollar is of major importance. Time will tell the severity of the effects of the tuna mercury situation. Tube manufacturing and tubing and mechanical equipment sales are tied to the general economy. Despite all this, we feel fiscal 1971 will be a good year for Atlantic Sugar on a fully consolidated basis. The diversity of our activities makes us less vulnerable to particular circumstances.

## Directors and Officers

During 1970 Messrs. John A. Mullin, Q.C., and L. Yves Fortier were appointed to the Board of Directors. Mr. J. Howard Hawke succeeded Mr. J. S. Gairdner as Chairman of the Board. Mr. L. E. Labrosse was appointed Vice-President, Finance. By-law "Q" was enacted which, among other matters, designated the President of the Company as Chief Executive Officer.

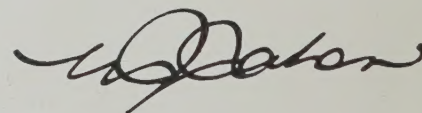
## Tribute

Mr. James Arthur Gairdner, for many years the Chief Executive Officer and a driving force in the affairs of Atlantic Sugar, passed away in early 1971. Mr. Gairdner had not been active in the affairs of the Company in recent years but his friends and co-workers will miss his counsel.

## Personnel

The Board of Directors of a widely diversified Company such as ours, with sales of some \$76,000,000, assets approaching \$100,000,000 and some 2,500 employees stretching from St. John's to Vancouver, is keenly appreciative of the contribution made by officers and the entire work force. We extend sincere thanks to all those people for their loyalty and efforts.

Respectfully submitted,







# AT WORK AND GROWING

Atlantic Sugar Refineries Co. Limited has grown this year by generating record earnings which have been put to work through the purchase of two companies and upgrading our existing plants and equipment.

The most important profit centre is the refinery in Saint John, New Brunswick. Plans have been made to fully automate the granulated sugar vacuum pans, those huge receptacles where the liquid sugar is recrystallized, so that our quality control will continue to be in the vanguard of sugar technology.

The present year will also see the introduction of new automatic palletizing equipment. This will not only pare distribution costs but will allow better utilization of storage space.

The refinery already contains some of the most modern sugar-making equipment in the Country. The pace at which it works, and it works around the clock, is shown by the fact that it can refine a total of 2.4 million pounds of sugar daily and pack it in a





myriad of different forms, ranging from 100-pound bags to the spoonful contained in the individual services used in restaurants. The machines work at remarkable speeds; for example, our recently installed individual service machines will each fill, seal and pack 650 individual services a minute.

Late in 1970, the Company purchased Sonco Steel Tube Limited and Lyman Tube Limited. Steel tube is one of the most common and yet least noticeable of all industrial products. Drive a car, sit on an office chair, switch on a lamp, and you will probably be using something that contains it. From tiny washers, sliced like salami from a length of tube, to the framework of enormous buildings, steel tube is an ubiquitous and important part of the modern industrial world.

Additions to its near-countless uses are being discovered regularly. In many manufacturing operations, it has been demonstrated that using tube instead of solid steel to fashion components saves on both material and machining costs. The advantages of hollow structural shapes over beams for construction uses are becoming more and more apparent. It is into this growing industry that Atlantic Sugar has made its latest moves to diversify and expand.

### **SONCO STEEL TUBE LIMITED**

Sonco is a manufacturer of electrically welded tubes for mechanical applications and hollow structural steel sections which ships more than 50,000 tons of these products a year out of its modern 100,000 square foot plant in Brampton, Ontario. Its output goes to the construction, furniture, automotive, snowmobile and farm equipment industries, among many others.







### Sonco Steel Tube Limited (cont'd)

The bulk of its annual sales is to customers in Canada. It also exports to the United States and to the Caribbean area.

Sonco, employing some 160 people, transforms steel strip purchased from Canadian producers into a vast variety of shapes, dimensions and sizes according to customers' individual requirements.

Its mechanical tubes (which might end up as anything from a pole for a pup tent to an auto muffler pipe) range in diameter from a tiny .375 of an inch to three inches. Its structural shapes, for anything from a TV antenna tower to the supporting columns of a new factory, come in sizes from 1.25 inches to nine inches in diameter.

Much of Sonco's production is in square and rectangular shapes: these, like the more conventional

round ones, are tested for strength and quality. Tubes from the plant can be supplied in any length up to 25 feet and for structural sections up to 60 feet.

This present year will see the replacement on two of the existing mills of semi-automatic welders with fully automatic butt welders and resistance welders with induction high-frequency welders. These improvements, with others, will bring the two mills up to the standard of our other four production lines.

The Company was founded by Mr. Harry Sonshine, a former Toronto furniture manufacturer, who diversified into steel tube in the mid '50's because it was one of the main components in the manufacture of office furniture. He later reorganized the Company to produce other tubes and structural shapes. Mr. Sonshine remains President and Chief Operating Officer.





## LYMAN TUBE LIMITED

Lyman is an industrial service and supply organization whose roots go as far back as 1916. It is a diversified company, supplying equipment such as speed reducers and retaining rings as well as the tubular products which account for a substantial part of its total volume. It also has a materials handling division based in Dorval, Quebec, which sells, rents and services fork lift trucks, industrial tractors and manual lifting gear.

Its business ranges nationally. It has offices and service centres in Montreal, Oakville, Winnipeg and in the Vancouver area where a new installation has just been completed. The service centre and office complex at Oakville combines and adds 20 per cent to the capacity of two former operations in Toronto and Hamilton. It opened for business in December of last year and will serve the fast growing Ontario market.

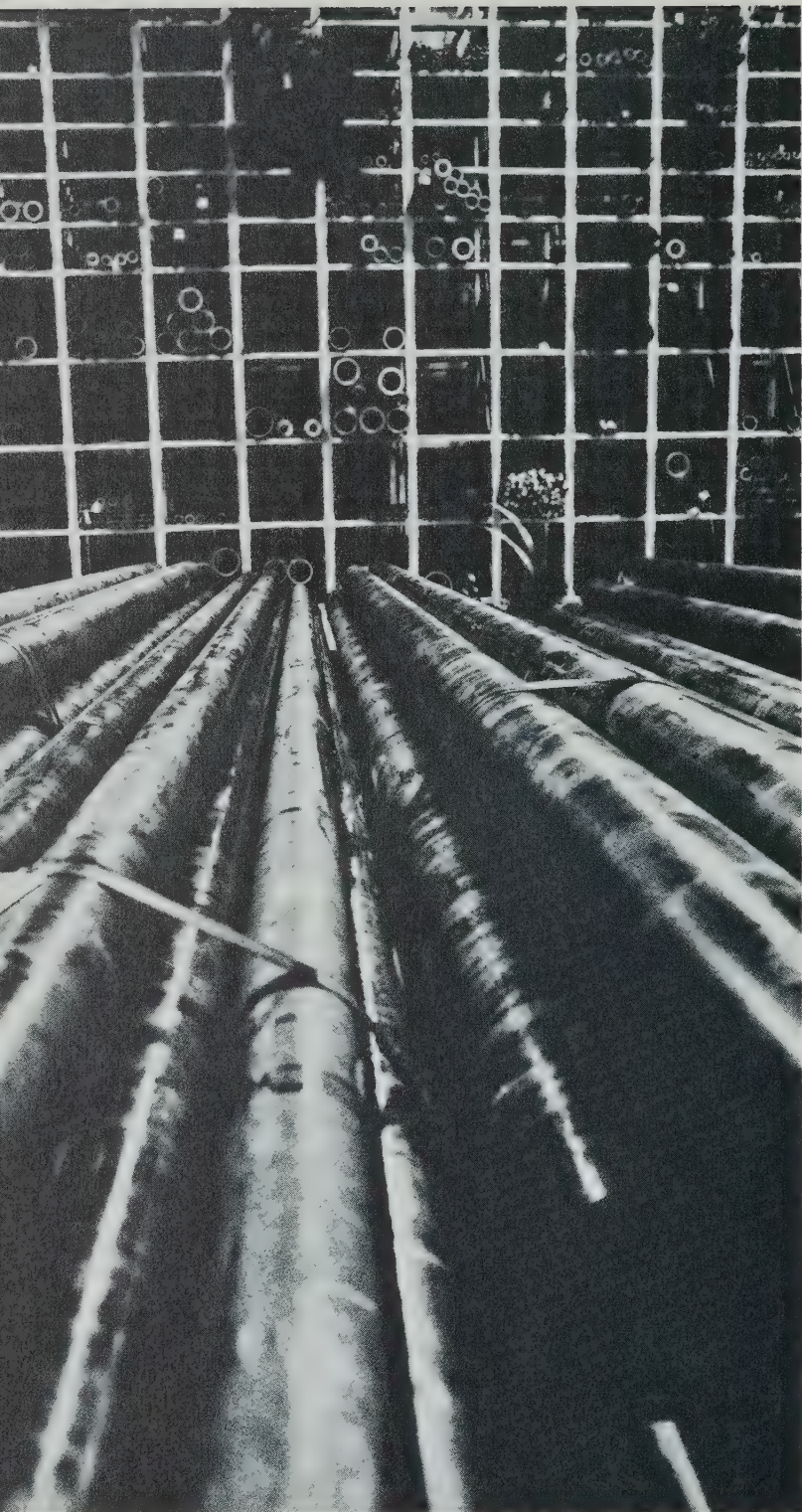
The tubular products division's principal stock-in-trade is service. It procures, stores, sells and ships thousands of tons of tube to scores of industrial users every year. Part of its job is to get the right material to the customer at the right price. To this end, the division employs sales correspondents and coordinators supporting the strong technical field sales force whose responsibility is to assist the customer in solving his tubing problem. The customer must get his tube in the right lengths, shapes and sizes when he needs it. Lyman has formed a scientific marketing team to apprise customers of new ways to employ tube. The Company's service centres are at work day and night unloading, storing, recording and shipping out stock.

The Company, which employs about 115 people, experienced its most rapid growth in the past five years as steel tube has become increasingly popular in a variety of applications. Sales now range around \$6.5 million a year.

Lyman is capable of supplying everything from the most minute tubing for hypodermic needles to tubes 20 inches in outside diameter. The tube handled by the Company comes in round, square and rectangular form, both seamless and welded. It is supplied mainly by Canadian and U.S. suppliers. Lyman is the exclusive agent in Eastern Canada for the tubular products of United States Steel.







### **Lyman Tube Limited (cont'd)**

Lyman began its corporate life as a railway and street railway supply company and later expanded into other industrial products. Steel tube became its main line of business in the early '60's. Its operations are headed by Mr. O. Foster Carter, President, who was also President when the Company was privately owned. Mr. G. W. Millar, former Chairman and Chief Executive Officer, continues as a member of the Board of Directors.

### **CANADIAN TUNA COMPANY (1965) LIMITED**

Canadian Tuna is the only fully integrated tuna processing company in Canada. Fishing is done by 5 tuna seiners which range the north and south Atlantic, the Pacific off the coast of Peru and Ecuador and off the west coast of Africa. Two of our seiners, the "Atlantic Gairdner" and the "Atlantic Hawke", are undergoing extensive refits which will give them the ability to take on and freeze greater quantities of fish in a shorter time.

Recently, sales of 3,000 metric tons of fish to Italian and American interests have been completed and it is hoped to expand this aspect of our business in the current year. The sale of this tuna reflects the Company's growing capacity to catch tuna and store it at sea. The fish is trans-shipped from our vessels to "reefers" which carry the tuna to foreign canneries. In this way, our boats are freed for additional fishing time.

The fish sold were in excess of Canadian Tuna's own needs at the cannery on the St. Croix River near St. Andrews, New Brunswick. The cannery supplies a growing segment of the Canadian tuna market with its "Bye the Sea" and "Chicken of the Sea" brands. The plant has a capacity to put up to 50 tons of tuna a day through its massive cookers and production lines. That is approximately 175,000 tins of tuna, including the Company's "Kitty Treat" cat food.

### **ATLANTIC FISH PROCESSORS CO. LTD.**

In the three years it has been operating, the Atlantic Fish Processors plant at Marystown on the Burin Peninsula of Newfoundland has built an exemplary record of efficiency. Last year it processed almost 58 million pounds of fish, from which it froze, packed and shipped almost 19 million pounds to the United States. The introduction last year of an incentive compensation plan for employees on the production line will mean even higher productivity this year.

Its 10 trawlers make 10-day trips of up to 250 miles out to sea to bring back cod, flounder, halibut, ocean perch and haddock in quantities of up to 350,000 pounds each. The vessels made 278 trips last year.

The fish is kept iced until it is fed by fast-moving bucket conveyor lines into the packing operation.





The weighing, filleting, grading, flash-freezing and packing of fish are all done in a matter of minutes. The operation normally handles over 200,000 pounds of raw whole fish a day. One day last year the intake reached a peak of 323,000 pounds; this meant that more than 109,000 pounds of filleted fish were frozen, packed and made ready for market. The offal was made into fish meal for livestock feed. In this way, almost everything of the fish was saved and sold.

The lasting impression one would have upon visiting the plant would be cleanliness, efficiency and adherence to strict quality control procedures.

The Company's products, sold through its subsidiary, Ocean Maid Foods, Inc., in Boston, Massachusetts, under its own label "Ocean Maid" or private labels, have found wide consumer acceptance in the United States market. Ninety-seven per cent of the Company's output is sold in the United States.





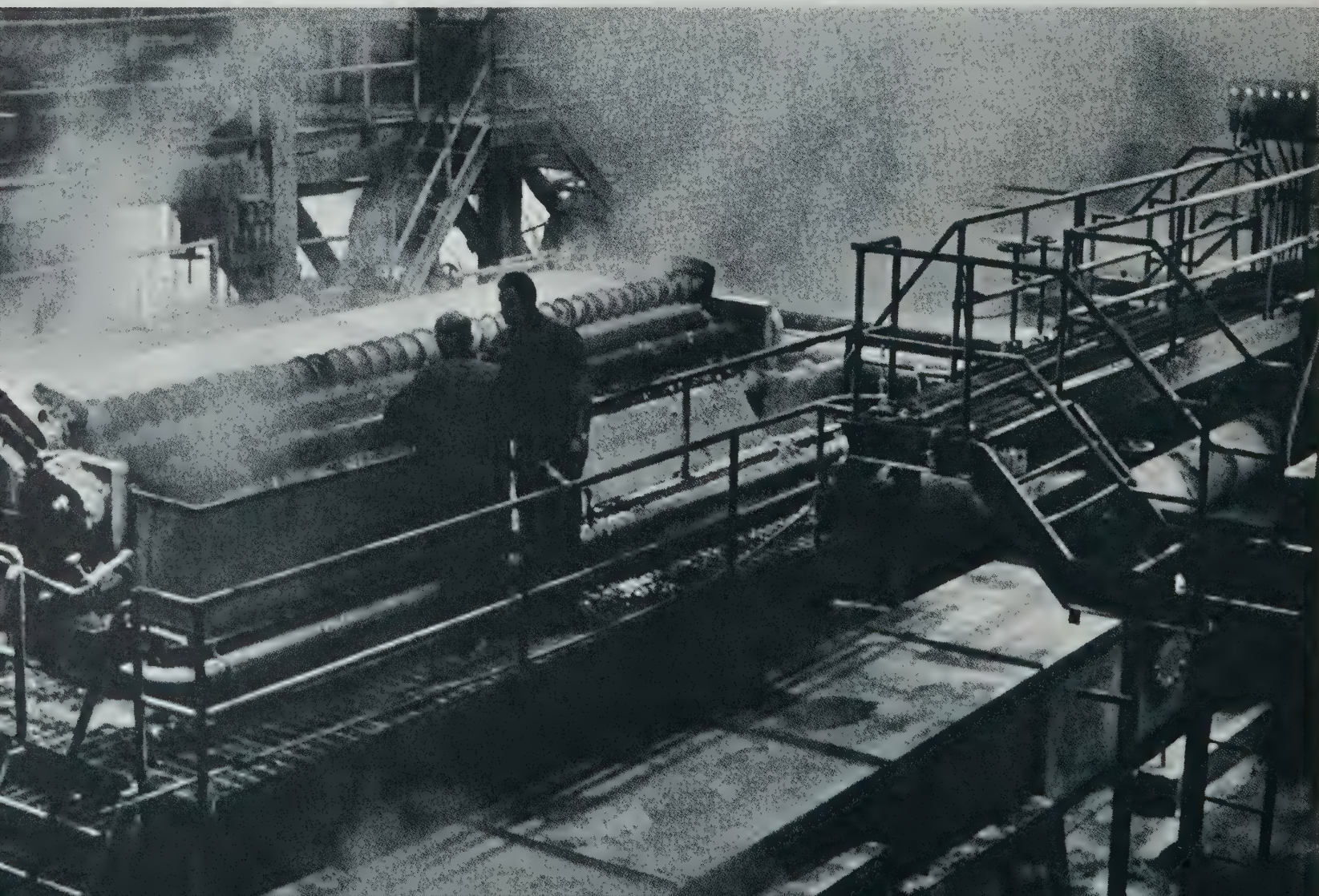
## ACADIA PULP AND PAPER LIMITED

Flash-dried mechanical groundwood pulp is Acadia's chief product. It begins as spruce logs eight feet in length which are hauled by truck to the mill site. Here the logs are mechanically slashed into bolts of wood four feet in length, debarked and fed into one of six powerful grinders. The groundwood is mixed with water to make "slush pulp". This pulp, in slush form, is circulated through various screening and cleaning systems until it becomes physically suitable for the end use required by the customer. It is then squeezed into sheets 166 inches wide, disintegrated again into pieces the size of corn flakes and dried with a flash process that takes 18 seconds to reduce the moisture content from 49 per cent to four per cent. The product emerges in bales which weigh 500 pounds but are no more than 20 inches high after going through a press which exerts 1,800 pounds pressure per square inch. The mill produced 130,000 tons of pulp in this fashion last year.

A total of 49 vessels, 39 of which loaded at Nelson-Miramichi, Newcastle or Chatham, carried

Acadia's production to paper mills in Western Europe, the British Isles and the United States. Our Company is co-operating with local municipal officials and representatives of other industries in the Miramichi area in an attempt to convince both Federal and Provincial governments that the Miramichi River should be dredged to a depth of 27 feet. The present draft is 21 feet. In addition to these ocean-going shipments, Acadia loaded 495 railway cars with pulp for shipment to the United States. Each railway car carried 60 tons of pulp so as to take advantage of the best available freight rate.

The Company is carrying on a research program that is designed to give it an important marketing edge on its competitors. The object of the project is to reduce the repulping time required by paper manufacturers who use groundwood pulp produced by the flash-drying technique. The Company has also formulated a master forest management plan to ensure future supply and responsible use of the forests.







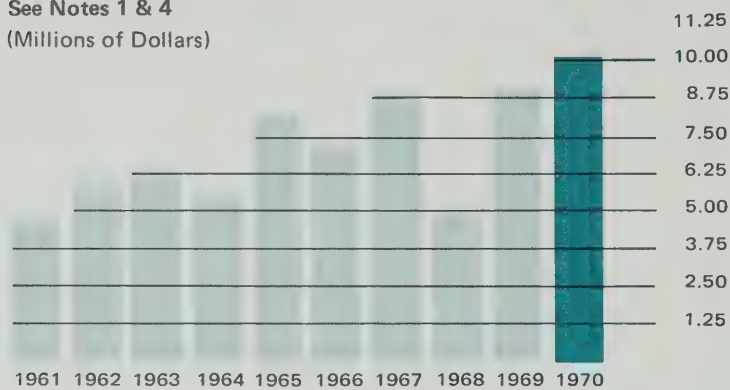


## COMPARATIVE KEY DATA FOR THE PAST 10 YEARS

### Earnings Before Income Taxes

See Notes 1 & 4

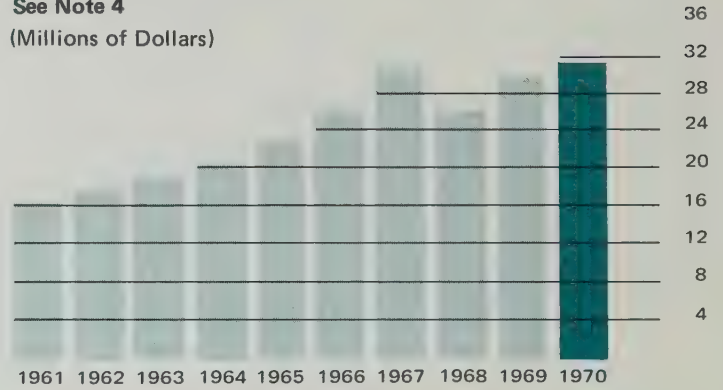
(Millions of Dollars)



### Retained Earnings

See Note 4

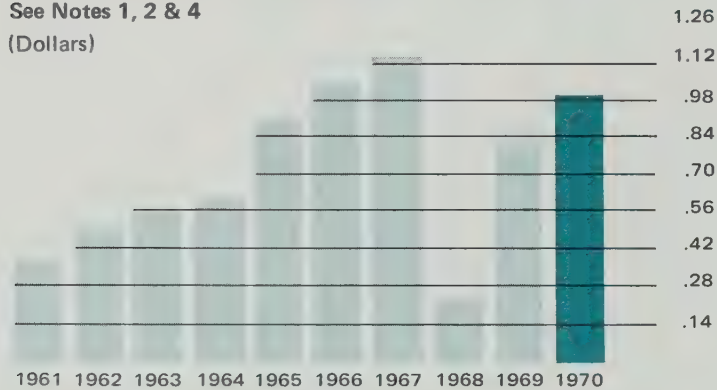
(Millions of Dollars)



### Earnings Per Common Share

See Notes 1, 2 & 4

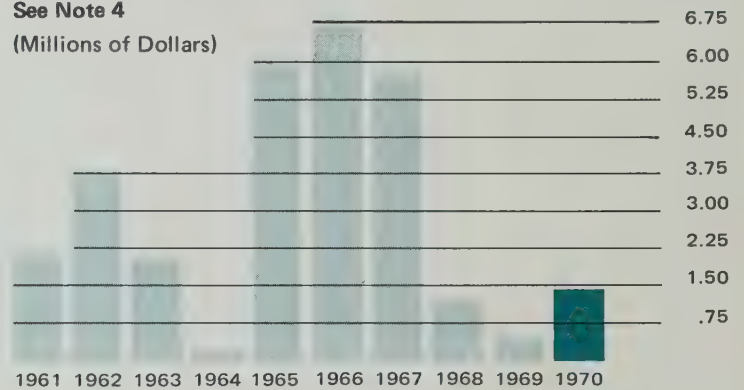
(Dollars)



### Capital Expenditures

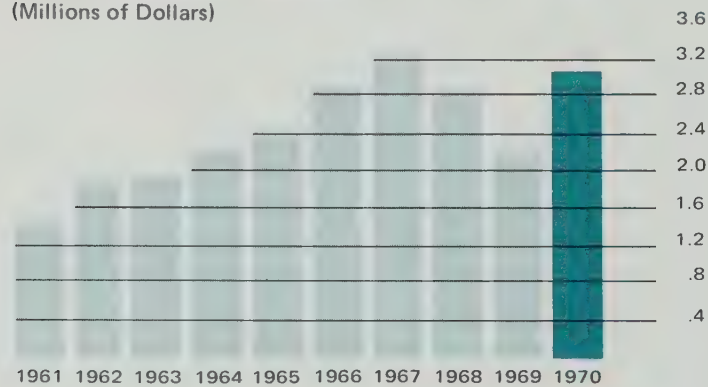
See Note 4

(Millions of Dollars)



### Total Dividends Declared

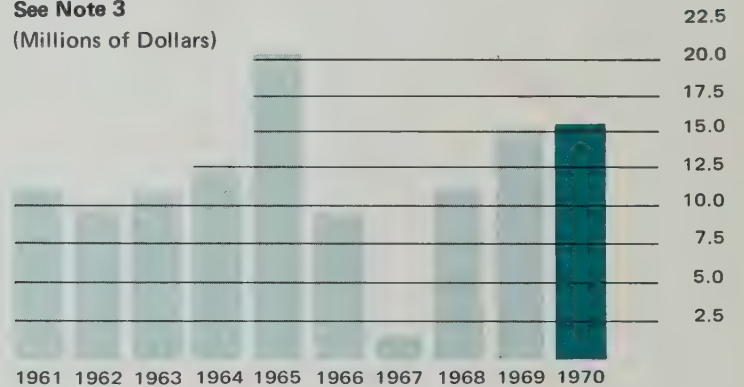
(Millions of Dollars)



### Working Capital

See Note 3

(Millions of Dollars)



#### Notes:

1. Includes gains on sales of investments and land and on redemption of bonds but not transfers from reserves. No adjustment made for excess depreciation taken in 1962 and 1963.
2. Adjusted for stock-splits.

3. Figures from and including 1966 are on a consolidated basis.
4. Figures from and including 1968 are on a consolidated basis.
5. In 1969 the Company changed to the tax allocation basis in accounting for income taxes.



## CONSOLIDATED STATEMENT OF EARNINGS

For the year ended December 31, 1970

*Atlantic Sugar Refineries Co. Limited  
and Subsidiaries*

	1970 \$	1969 \$
Sales . . . . .	76,185,712	64,428,017
Cost of Sales, Selling, Distribution and General Expenses . . . . .	62,372,007	51,378,751
Operating Profit before the following items . . . . .	13,813,705	13,049,266
Income from investments . . . . .	491,608	314,810
Other income . . . . .	152,717	115,030
	644,325	429,840
	14,458,030	13,479,106
Depreciation . . . . .	2,670,948	2,552,431
Interest on long-term debt . . . . .	1,684,004	1,719,671
Loss on sale of fixed assets . . . . .		183,700
	4,354,952	4,455,802
	10,103,078	9,023,304
Provision for Income Taxes (note 5)		
Current . . . . .	4,100,000	4,000,000
Deferred . . . . .	265,000	294,000
	3,835,000	3,706,000
Net Earnings for the Year (note 9) . . . . .	6,268,078	5,317,304

99¢

82¢

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the year ended December 31, 1970

*Atlantic Sugar Refineries Co. Limited  
and Subsidiaries*

Balance — Beginning of Year . . . . .	29,060,622	26,284,318
Net earnings for the year . . . . .	6,268,078	5,317,304
	35,328,700	31,601,622
Dividends —		
5% preference shares . . . . .	375,000	375,000
Class A shares . . . . .	522,000	522,000
Common shares . . . . .	2,178,240	1,350,000
	3,075,240	2,247,000
Deferred income taxes (note 5) . . . . .	265,000	294,000
	3,340,240	2,541,000
Balance — End of Year . . . . .	31,988,460	29,060,622



## CONSOLIDATED BALANCE SHEET

As at December 31, 1970

*Atlantic Sugar Refineries Co. Limited  
and Subsidiaries*

Assets	1970 \$	1969 \$
<b>Current Assets</b>		
Cash and short-term deposits . . . . .	4,713,837	4,541,748
Marketable investments — at cost (quoted value — 1970, \$3,938,000; 1969, \$3,428,000) . .	4,979,297	4,519,217
Accounts receivable . . . . .	9,932,275	6,728,203
Inventories — at the lower of cost or net realizable value . . . . .	8,871,886	9,135,666
Prepaid expenses . . . . .	736,069	297,806
	<u>29,233,364</u>	<u>25,222,640</u>
 <b>Notes Receivable (note 2) . . . . .</b>	 <u>1,074,586</u>	 <u>1,074,586</u>
 <b>Fixed Assets (note 3)</b>		
Land, buildings, timber limits, wharves, plant, equipment, furniture, fixtures and ships . . . . .	83,374,413	76,339,135
Accumulated depreciation and depletion . . . .	17,545,732	13,393,986
	<u>65,828,681</u>	<u>62,945,149</u>
 <b>Excess of Cost of Subsidiaries over Equity at Date of Acquisition . . . . .</b>	 <u>1,285,651</u>	 <u>(1,549,958)</u>
	 <u><u>97,422,282</u></u>	 <u><u>87,692,417</u></u>

SIGNED ON BEHALF OF THE BOARD

W. J. R. PATON, Director

J. H. HAWKE, Director



<b>Liabilities</b>	<b>1970</b>	<b>1969</b>
	<b>\$</b>	<b>\$</b>
<b>Current Liabilities</b>		
Bank loans and advances (note 4) . . . . .	4,032,211	1,170,861
Accounts payable and accrued liabilities . . . . .	6,427,512	5,049,573
Dividends payable January 4th . . . . .	676,560	468,000
Income taxes (note 5) . . . . .	1,866,682	2,787,664
Current portion of long-term debt . . . . .	<u>1,158,908</u>	<u>756,379</u>
	14,161,873	10,232,477
 <b>Long-Term Debt</b> (note 6) . . . . .	 <u>27,992,884</u>	 <u>25,664,453</u>
	<u>42,154,757</u>	<u>35,896,930</u>
 <b>Shareholders' Equity</b>		
<b>Capital Stock</b> (note 7)		
Issued and fully paid —		
75,000 5% preference shares . . . . .	7,500,000	7,500,000
435,000 Class A shares . . . . .	1,910,000	1,910,000
5,460,600 common shares . . . . .	<u>664,200</u>	<u>120,000</u>
	10,074,200	9,530,000
 <b>Contributed Surplus</b> . . . . .	 13,204,865	 13,204,865
 <b>Retained Earnings</b> . . . . .	 <u>31,988,460</u>	 <u>29,060,622</u>
	<u>55,267,525</u>	<u>51,795,487</u>
	<u>97,422,282</u>	<u>87,692,417</u>



## CONSOLIDATED STATEMENT OF SOURCE AND USE OF WORKING CAPITAL

For the year ended December 31, 1970

Atlantic Sugar Refineries Co. Limited  
and Subsidiaries

	1970 \$	1969 \$
<b>Source of Working Capital</b>		
Net earnings for the year	6,268,078	5,317,304
Item not affecting working capital —		
Depreciation	2,670,948	2,552,431
	8,939,026	7,869,735
Long-term borrowings	2,803,240	334,100
Proceeds from sale of capital stock	544,200	
	<u>12,286,466</u>	<u>8,203,835</u>
<b>Use of Working Capital</b>		
Additions to fixed assets — net	1,376,161	52,831
Dividends	3,075,240	2,247,000
Deferred income taxes	265,000	294,000
Redemption of long-term debt	1,121,875	1,317,405
Acquisitions of subsidiaries (net of working capital) (note 1)	6,366,862	
Reduction on final settlement of an Area Development Grant		75,780
	<u>12,205,138</u>	<u>3,987,016</u>
<b>Increase in Working Capital</b>	<b>81,328</b>	<b>4,216,819</b>
<b>Working Capital — Beginning of Year</b>	<b>14,990,163</b>	<b>10,773,344</b>
<b>Working Capital — End of Year</b>	<b><u>15,071,491</u></b>	<b><u>14,990,163</u></b>

### Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Atlantic Sugar Refineries Co. Limited and subsidiaries as at December 31, 1970 and the consolidated statements of earnings, retained earnings and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1970 and the results of their operations and the source and use of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDonald, Currie & Co.  
Chartered Accountants  
February 12, 1971



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 1970

*Atlantic Sugar Refineries Co. Limited  
and Subsidiaries*

### 1. Basis of Consolidation

The consolidated financial statements include the accounts of all subsidiary companies. During the year, the Company acquired all of the outstanding shares of Sonco Steel Tube Limited and Lyman Tube Limited. The results of the operations of these companies have been included from September 26, 1970 and December 1, 1970, the respective dates of acquisition.

### 2. Notes Receivable

This represents \$1,300,000 face value of Atlantic Acceptance Corporation Limited secured notes at a cost of \$1,274,586 less a provision of \$200,000.

### 3. Fixed Assets

(a) Fixed assets are classified as follows:

	1970			1969
	Cost \$	Accumulated depreciation \$	Net \$	Net \$
Land . . . . .	1,242,438		1,242,438	1,130,760
Buildings . . . . .	17,611,617	5,006,664	12,604,953	11,954,656
Timber limits . . . . .	480,000		480,000	480,000
Plant, equipment, furniture and fixtures . . . . .	36,737,440	9,869,298	26,868,142	24,590,708
Ships . . . . .	27,302,918	2,669,770	24,633,148	24,789,025
	<u>83,374,413</u>	<u>17,545,732</u>	<u>65,828,681</u>	<u>62,945,149</u>

(b) The Saint John sugar refinery is carried at values as appraised by Stone & Webster Engineering Corporation in 1954 and the Dartmouth property at values as appraised by Canadian Appraisal Company Limited in 1939 with subsequent additions at cost, less retirements. All other fixed assets are carried at cost.

### 4. Bank Loans and Advances

Accounts receivable and inventories have been pledged as security for bank loans of \$2,620,000 (1969 – \$767,000).

### 5. Income Taxes

The cumulative effect of claiming depreciation for income tax purposes in excess of the amounts provided in the accounts of Atlantic Sugar Refineries Co. Limited and subsidiaries up to December 31, 1970 has been a reduction of \$12,423,000 in income taxes otherwise payable.

### 6. Long-Term Debt

Long-term debt is classified as follows:

	1970			1969
	Total outstanding \$	Current portion \$	Long-term portion \$	Long-term portion \$
Sinking fund bonds –				
Series "A" 4% – maturing in 1974 . . . . .	3,800,000	200,000	3,600,000	3,798,500
Series "A" 6¾% – maturing in 1984 . . . . .	4,833,000	233,000	4,600,000	4,950,000
Series "C" 6% – maturing in 1985 (U.S. \$8,554,000) . . . . .	<u>9,165,568</u>	<u>302,162</u>	<u>8,863,406</u>	<u>9,165,568</u>
Forward	<u>17,798,568</u>	<u>735,162</u>	<u>17,063,406</u>	<u>17,914,068</u>



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 6. Long-Term Debt (cont'd)

	1970			1969
	Total outstanding \$	Current portion \$	Long-term portion \$	Long-term portion \$
Forward	17,798,568	735,162	17,063,406	17,914,068
First mortgage bonds —				
6¼% maturing quar- terly until 1982	1,209,990	77,335	1,132,655	1,218,348
7¼% maturing semi- annually until 1987	1,412,471	46,578	1,365,893	1,412,471
8¼% maturing semi- annually until 1988	4,051,577	121,447	3,930,130	4,051,577
8¾% maturing semi- annually until 1988	893,889	21,768	872,121	893,889
Other —				
8½% note payable 1976	2,750,000		2,750,000	
Miscellaneous	1,035,297	156,618	878,679	174,100
	<u>29,151,792</u>	<u>1,158,908</u>	<u>27,992,884</u>	<u>25,664,453</u>

### 7. Capital Stock

(a) The authorized capital stock is as follows:

75,000 5% cumulative redeemable preference shares of \$100 par value,  
redeemable at \$105.

600,000 Class A \$1.20 cumulative preference shares without par value.

9,000,000 common shares without par value.

(b) 524,400 of the authorized and unissued common shares have been reserved as follows:

(i) 450,000 shares for the exercise of warrants issued in 1968 which entitle the holders to purchase one share for each warrant as follows:

Until March 1, 1973 at \$10 per share

Until March 1, 1976 at \$12 per share

Until March 1, 1978 at \$14 per share

(ii) 74,400 shares for stock options to officers and key employees. Options have been granted to purchase 41,400 of such shares at \$7 each over a ten-year period terminating in June 1979. Options to purchase 600 shares were exercised during the year for cash.

### 8. Remuneration of Directors and Officers

The direct remuneration paid by the Company and its subsidiaries during the year to the directors and senior officers amounted to \$313,804 (1969—\$339,194).

### 9. Earnings per Common Share

Earnings per common share for 1970 were as follows:

Basic — 99 cents (1969 — 82 cents)

Fully diluted — 94 cents (1969 — 78 cents)

### 10. Commitments

(a) Commitments under long-term leases amount to approximately \$854,000 per annum over the next twenty-two years.

(b) The purchase price of a subsidiary includes an amount of \$2,750,000 which has not been reflected in the statements because this amount is contingent upon future earnings of such subsidiary. The final price will be accounted for on January 1, 1976 with interest at 5%.











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SEMI-ANNUAL  
REPORT  
JUNE 30th, 1970



# ATLANTIC SUGAR REFINERIES CO. LIMITED

## Interim Report to Shareholders for the six months ended June 30th, 1970

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To the Shareholders:

Dear Sir or Madam:

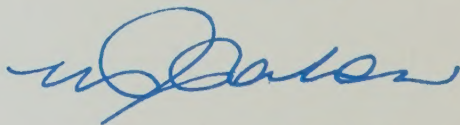
I am pleased to submit, on behalf of the Chairman and the Board of Directors, the Consolidated Statement of Earnings and the Consolidated Statement of Source and Use of Funds for the six months ended June 30th, 1970. The results of all subsidiaries are incorporated therein.

The earnings improvement came from Pulp and Fish operations with Sugar earnings below the same period in 1969. The "freeing" of the Canadian dollar will adversely affect Pulp and Fish earnings during the latter half of the year. We continue to forecast full 1970 earnings in the range of 80¢ to 85¢ per common share.

On June 2nd The Glengair Group Limited announced it had acquired approximately 62% of this Company's common shares. There remain some 6,000 registered owners of Atlantic Sugar common shares.

Your Officers and Directors will continue to serve the best interests of all shareowners.

Yours very truly,



President

Montreal, Quebec  
July 30th, 1970



# ATLANTIC SUGAR REFINERIES CO. LIMITED AND SUBSIDIARIES

## Consolidated Statement of Earnings for the six months ended June 30th, 1970 (unaudited and subject to year-end adjustments)

	1970	1969
Sales .....	\$33,795,933	\$30,015,354
Cost of sales, selling, distribution and general expenses .....	26,900,955	23,558,572
Operating profit before the following items .....	6,894,978	6,456,782
Other income .....	296,097	161,248
	<u>7,191,075</u>	<u>6,618,030</u>
Depreciation .....	1,282,081	1,253,247
Interest on long-term debt ....	828,369	867,571
	<u>5,080,625</u>	<u>4,497,212</u>
Provision for income taxes ....	2,016,000	2,174,000
Net earnings for the period ....	<u><u>3,064,625</u></u>	<u><u>2,323,212</u></u>
Earnings per common share ....	48 cents	35 cents

## Consolidated Statement of Source and Use of Funds for the six months ended June 30th, 1970 (unaudited and subject to year-end adjustments)

	1970	1969
<b>Source of Funds</b>		
Net earnings for the period ....	\$3,064,625	\$2,323,212
Provision for depreciation .....	1,282,081	1,253,247
Long-term borrowings .....	53,211	174,100
Issue of capital stock .....	544,200	—
	<u>4,944,117</u>	<u>3,750,559</u>
<b>Use of Funds</b>		
Net additions to fixed assets	152,098	218,848
Dividends .....	1,534,620	1,123,500
Redemption of long-term debt	823,198	845,256
Deferred taxes .....	225,000	59,000
	<u>2,734,916</u>	<u>2,246,604</u>
Increase in working capital .....	2,209,201	1,503,955
	<u><u>4,944,117</u></u>	<u><u>3,750,559</u></u>

**NOTE:**

Certain figures in 1969 have been re-classified so as to facilitate comparison with 1970.



